Redpath Industries Limited
Annual Report 1977

Redpath Industries Limited is a diversified company founded on its strength and expertise as a refiner of sugar products. Today the company has three divisions: Agro-Industrial, Construction Materials, and Packaging, each of which is pictured through the cover.

Contents

FINANCIAL HIGHLIGHTS

Revenue...... $271,319,000

Net Income..... $8,571,000

Per Share........... $2.69

Dividends....... $3,079,000

Per Share.......... $0.972

Revenue includes the results of operations in the Ivory Coast and our share of Refined Syrups & Sugars Inc. in Yonkers, N.Y.

Cost of investment in the Yonkers refinery and in packaging businesses acquired amounted to $6 million.

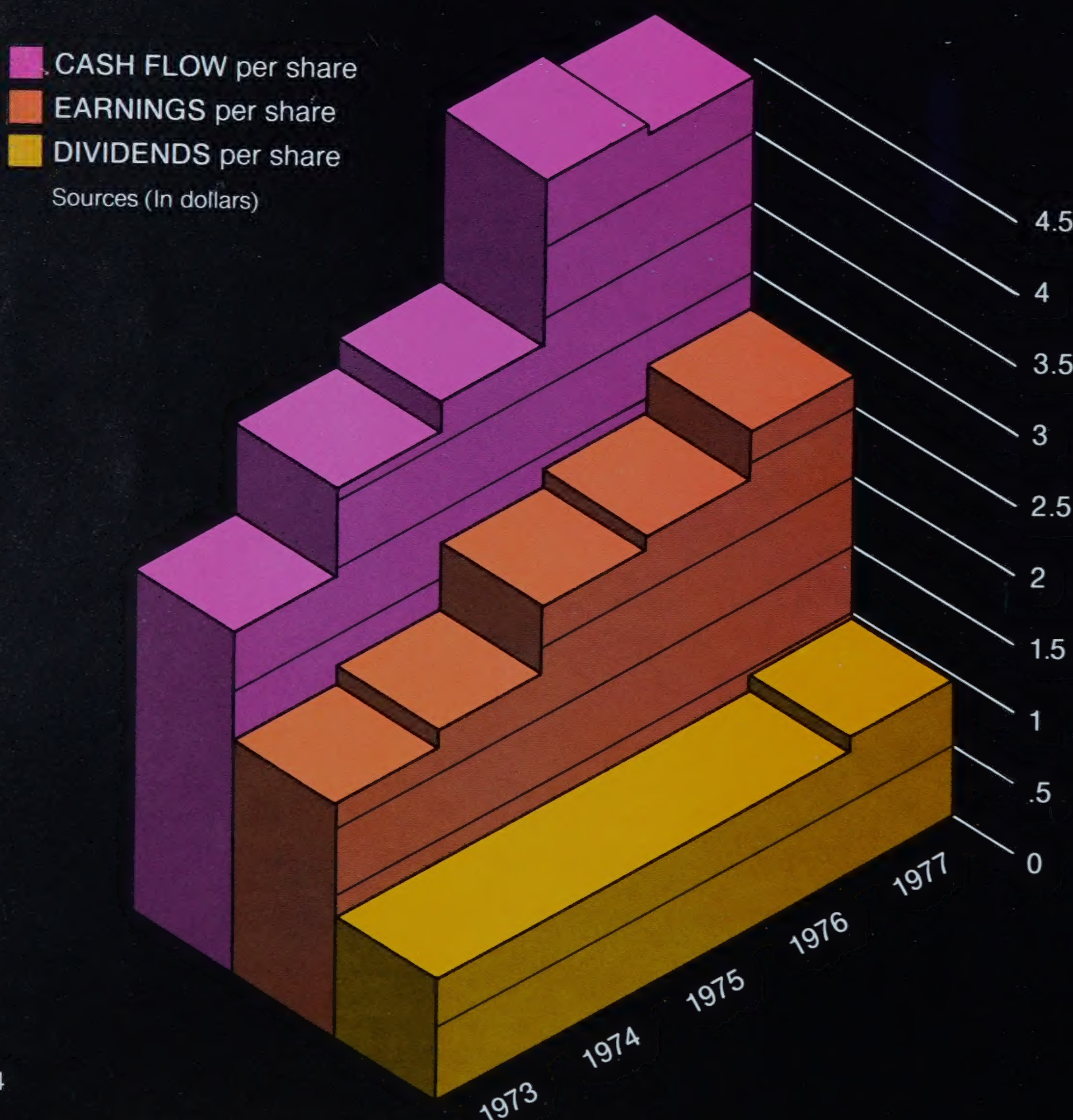
Expenditures on property, new plant and equipment totalled $9.2 million.

U.S. $25 million of unsecured debentures were issued.

Working capital reached a record level of $43.9 million.

Shareholders' Annual Meeting

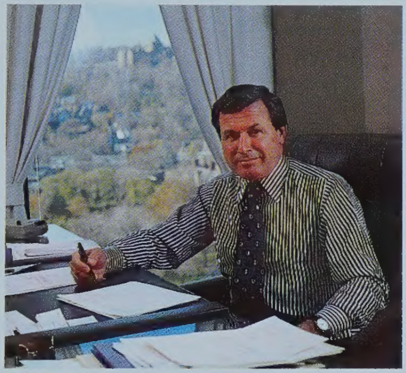
The annual shareholders' meeting will be held in Toronto at the Harbour Castle Hotel on Tuesday, February 28, 1978 at 11:30 a.m. A buffet luncheon will be served following the meeting.



Directors' Report to Shareholders

Financial

It is with pleasure that we are able to report for the fifth consecutive year record levels of revenue, income before tax, net income, and earnings per share.



N. M. Shaw, *President and Chief Executive Officer*

Net income for the year amounted to $8,571,000, equal to $2.69 per share, compared with $7,531,000, or $2.37 per share, in 1976—an increase of 13.8%.

Revenues for the year totalled $271,319,000, the increase of 35.1% over 1976 due in part to the inclusion of results of operations of Merry Packaging Limited, Holway Packaging (both of Toronto, Ontario), and your company's share of the operations of Refined Syrups & Sugars Inc. (Yonkers, New York). All of those operations were acquired during the year. For the first time revenues also include income earned in West Africa, including the Ivory Coast project, by the consulting and engineering arm of the Agro-Industrial Division.

The additional sources of revenue mentioned above result from your company's continuing long-term goal to reduce dependency on earnings from sugar refining in Canada.

Revenues were derived principally from the following five sources: sugar refining in Canada, $134,280,000 compared to $152,857,000 in 1976; construction materials, $45,171,000 versus $44,425,000 last year; and packaging, $9,030,000 versus $2,205,000. New sources of revenue this year are engineering and consulting, $58,468,000; and sugar refining U.S.A., $22,470,000.

It is interesting to note that operations in Canada accounted for 67% of total revenue in 1977 compared with 96.7% in 1976; United States operations rose to 11.1% of total revenue compared with 3.1% last year; overseas activities provided 21.9% of total revenue, compared to less than one per cent in 1976.

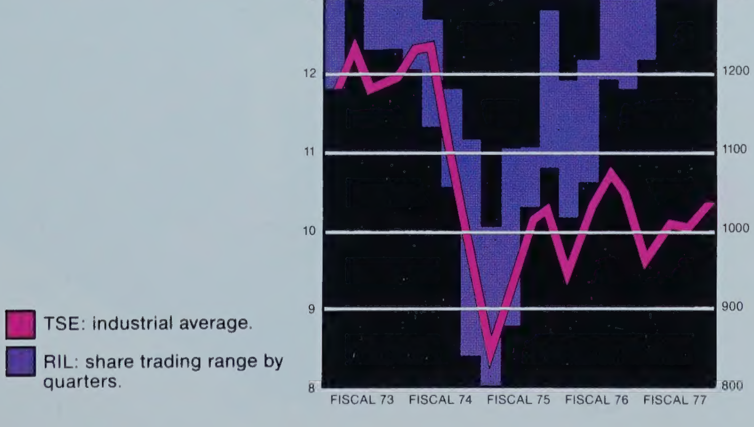
While total revenues of $271,319,000 were a record for your company, the revenue arising from the Canadian sugar division declined for the second consecutive year as a result of continuing lower raw sugar prices with consequent reduced values for refined sugar. Total volume of sales, domestic and export, from Redpath's Toronto and Montreal refineries, exceeded the volume of the previous year. Revenues from the sugar division are directly related to world raw sugar prices and are subject to wide variances from year to year.

During the 1977 fiscal year, market conditions from time to time were favourable for raw sugar trading activities and results from those activities were improved over the previous year.

On October 7, 1977 in Geneva, a new International Sugar Agreement, among more than 50 exporting and importing nations, was concluded and is now being ratified.

The main objective, as stated in the five-year Agreement, is "to achieve stable conditions in the international trade in sugar, including avoidance of excessive price fluctuations, at price levels which would be remunerative and just to producers and equitable to consumers."

The Agreement establishes a minimum target price for raw sugar of 11 cents U.S. per pound FOB and a maximum of 21 cents. This target price range is to be attained by a system of quotas which will hold sugar from the market at lower price levels. In addition, a reserve stock of 2.5 million metric tonnes of raw sugar will be accumulated by exporters during the next three years, financed by a levy of $0.0028 U.S. per pound. When the world price rises to 19 cents, one third of this stock will be released. An additional third will be released at 20 cents, and the final third at 21 cents.



To date there has been little improvement in price mainly due to exporters attempting to clear stocks before quota restrictions come into effect on January 1, 1978. It is generally believed that the Agreement has a good chance of becoming effective; but, because of the large surpluses available, the target price range is unlikely to be achieved before late 1978.

Expenditures on property, plant and equipment during the year totalled $9,180,000; $2,560,000 was invested in the sugar business, $5,787,000 in construction materials and the balance in the packaging division. In fiscal 1978, it is expected that investments in property, plant and equipment will total approximately $10,200,000.

A general weakness in the Canadian economy during the year hampered sales volume in some product lines in the construction materials division. As a result, earnings from that source were somewhat below plan for the year. During the year, the companies in that division initiated several changes designed to reduce costs and improve efficiencies, the results of which are expected to have a positive influence on operations in 1978.

In the Directors' report to shareholders last year we announced that the Crown had indicated its intention to appeal the acquittal of your company, together with other Eastern Canadian sugar refiners, of all charges under the Combines Investigation Act. The appeal by the Crown was heard in October 1977, and judgment is currently being awaited. Your company strongly contested the appeal against its acquittal.

On Feburary 22, 1977, Revenue Canada issued income tax assessments against your company for its five taxation years ended September 30, 1971, alleging that the company should have considered as its own all the income of its non-resident affiliate, Albion Company Limited. Shortly thereafter your company was served with a summons to appear in criminal court on charges that the alleged failure to include the income of Albion constituted a willful evasion of taxes.

The company is forcefully disputing both the assessments and the charges, which special counsel advises are ill-founded. At the time of writing, the trial has been set for January 23, 1978.

At the special general meeting of shareholders held February 1, 1977, shareholders approved By-law Number 24 providing for the subdivision of the Class A and Class B interconvertible shares on a two-for-one basis. Supplementary Letters Patent were issued March 4, 1977 giving effect to the change.

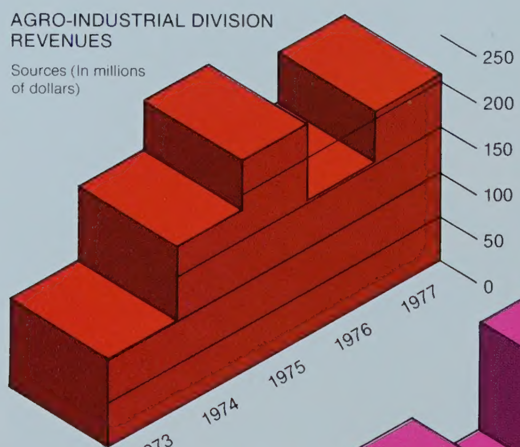
Your company expects to continue a portion of its expansion activities in the coming years in the United States where lower taxes, wage rates, fuel and construction costs provide a substantial advantage. The markets in the United States are larger and growing at a faster rate than in Canada.

We are pleased that the government has announced termination of the anti-inflation program and that controls will be removed from your company at the end of its 1978 fiscal year.

Effective with the December 1, 1977 dividend, the new quarterly dividend rate of 25.758 cents on Class A shares represents an increase of 6%, being the maximum increase permissible in the current AIB guideline year.

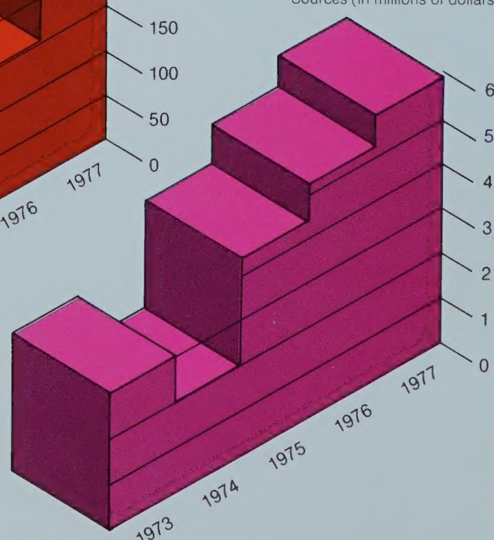
AGRO-INDUSTRIAL DIVISION REVENUES

Sources (In millions of dollars)



NET INCOME

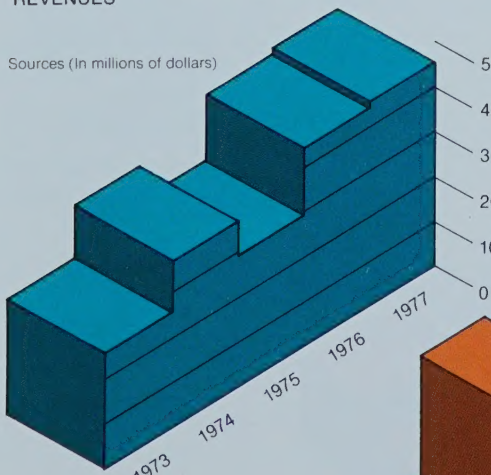
Sources (In millions of dollars)



Toward the end of the year under review it was announced that the corporate executive offices would be consolidated in Toronto where the head office has been located for several years. The move, completed in December 1977, affected only a few people and located the offices more conveniently near the geographical center of the company's activities.

On September 15, 1977 your company sold on the Eurobond market U.S. $25 million of 9% unsecured debentures due September 15, 1989. The decision to borrow in Europe was made after an extensive review of various market conditions in Canada and abroad, and an evaluation of the different types of security the company might be required to give to the Debenture holders. Your company was able to borrow money at a favourable interest rate fixed for 12 years on the strength of its name alone, without pledging any of its assets as security and without reducing the effective term of the borrowing through sinking fund requirements, or offering the debentures at a discount from their face value. As well, your company has the right, starting in 1982, to redeem at its option any or all of the outstanding debentures.

CONSTRUCTION MATERIALS DIVISION
REVENUES



Agro-Industrial Division

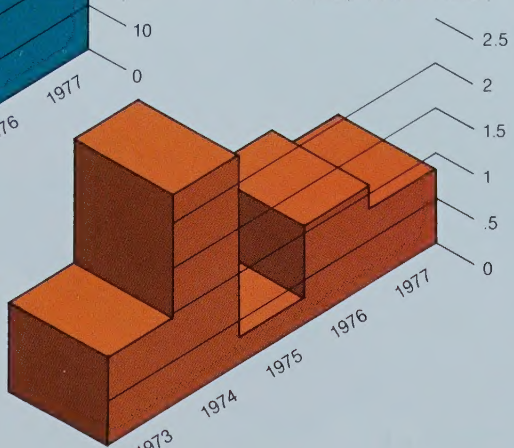
Sales volume of refined sugar from the Montreal and Toronto refineries is ahead of last year; but, because of the continuing low world raw sugar prices, the dollar value of such sales is reduced. Canadian consumption of sugar has levelled off at slightly less than the level it reached prior to the high price period of 1974-75. Margins for the year were somewhat lower due to severe competition in the marketplace resulting from a seasonal overcapacity situation in Eastern Canada. Redpath, as the only sugar company with a refinery in both Montreal and Toronto, was able to maintain its position in Eastern Canada, despite a slight drop in market share.

So far the new International Sugar Agreement has had little effect on sugar prices in Canada. But, as exporters use up the surplus stock and as restrictions under the I.S.A. begin to take effect, prices in 1978 will probably rise slowly. With the Agreement's target price range of 11 cents U.S. FOB to 21 cents for raw sugar, Canadian consumers would pay between 20 cents and 31 cents per pound for refined sugar.

Quotas will probably be imposed in 1978, but we do not envisage any scarcity of physical supply of sugar.

In January 1977, your company completed the purchase of 100% of Refined Syrups & Sugars Inc., primarily a refiner of liquid sugar in Yonkers, New York, with a refining capability equal to the combined capacity of the Montreal and Toronto refineries. As had been previously agreed, the company subsequently sold a 50% interest to Tate & Lyle, which will participate equally with Redpath in financing modifications to the refinery process to change the production emphasis from liquid to granulated sugar. It is estimated that your company's share of the cost of the modification of Refined Syrups & Sugars Inc., will amount to $12.5 million over the next several years.

NET INCOME



The Yonkers refinery was closed in mid-1976. Following acquisition of Redpath's interest in the company, the plant was reopened and sales volume has increased substantially during the last half of 1977 with declining operating losses. This trend is expected to continue and, once plant modifications are complete, a significant contribution to your company's profits is anticipated.

On November 12, 1977 U.S. President Carter signed two proclamations increasing the duty on raw sugar to 2.8125 cents U.S. per pound from 1.875 cents and establishing a variable import fee of up to 3.3 cents U.S. per pound on foreign sugar.

As outlined in the proclamation, foreign raw sugar has a base sales price of 10.00 cents per pound. Raw sugar valued at not more than 6.67 cents per pound is subject to a 50% *ad valorem* fee. On sugar valued between 6.67 cents and 10.00 cents, the fee varies as necessary to bring the price up to the base of 10.00 cents. These measures will raise the cost of imported raw sugar to about 13.5 cents, the support level. This means minimum refined sugar prices in the U.S.A. will be about 18 cents per pound.

The U.S. domestic sugar industry will benefit greatly in the short run by these two measures. However, in the long run, corn-based sweeteners, which will also benefit by the higher price, will likely obtain an increasingly larger share of the U.S. industrial liquid sugar market.

Construction of the cane sugar facility in the Ivory Coast is proceeding according to plan and this year's operating results reflect that portion of the overall profit of the project earned to date. Feasibility studies for other projects are currently being carried out by the consulting division and it is anticipated that other contracts will be entered into in the future.

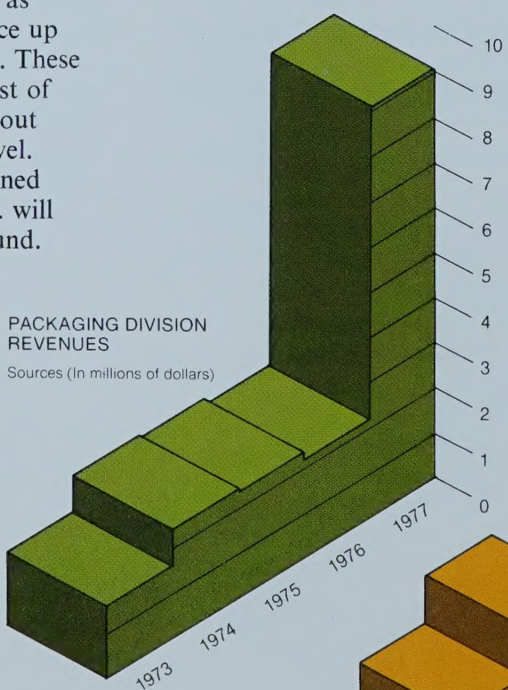
The company decided that, under existing provincial liquor legislation, future prospects for Chantecler Wines Limited were not encouraging. As a result, your company sold the inventory and goodwill of Chantecler Wines Limited and is presently in the process of disposing of the balance of the assets.

High Fructose Corn Syrup

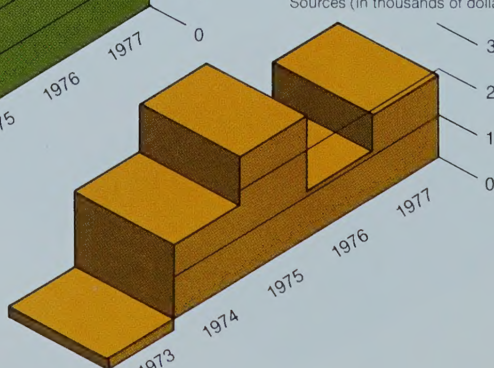
During 1977, the company continued to investigate the feasibility of constructing a high fructose corn syrup (HFCS) facility in Canada. Due to continuing uncertainties in the economy, the low level of world sugar prices, and excess production capacity for HFCS in the United States, Redpath has endeavoured to minimize as much as possible the risks of the very large capital expenditures which the project will require.

On December 19, 1977 the company's major subsidiary, Redpath Sugars Limited, entered into an agreement with two wholly-owned subsidiaries of John Labatt Limited. As a result, Redpath and Labatt will each have a 50% interest in a joint venture formed to develop and operate a corn wet-milling plant and a starch conversion plant for the production and sale of starch-derived sweeteners, including high fructose corn syrup. The two groups have committed themselves to making detailed technical, marketing and engineering studies designed to identify the project's capital cost and financial viability and these should be complete by May 1978.

PACKAGING DIVISION REVENUES
Sources (In millions of dollars)



NET INCOME
Sources (In thousands of dollars)



Construction Materials Division

Sales volumes in the Construction Materials Division continue to be hampered by the general weakness of the Canadian economy. Competition continues to be severe in some product lines, particularly land drainage pipes and PVC sewer and pressure pipe, with the result that margins are lower than normal.

Daymond Limited is constructing a new aluminum facility in Chatham, Ontario, at a total cost of $5 million. The new facility will be operational early in 1978 and will provide much needed additional capacity not available in the present plant. The acceptance by the Canadian market of Daymond's patented "Tuffy" ladder has been most rewarding and the company has successfully completed negotiations with a licensee in Japan.

Vinyl siding continues to be a high quality product with encouraging potential. The company is presently planning to expand its market by selling the product directly in the new housing market through subcontractors.

Multi Fittings has just completed doubling the size of its Waco, Texas plant to keep pace with the expanding U.S. market. The company now markets more than 50% of its plastic fittings in the U.S.A.

Last year's report mentioned that Gienow Limited had instituted a new marketing approach and improved inventory and financial controls in an effort to enhance efficiency and performance. The results of these changes have been encouraging and reflect a highly satisfactory turnaround in Gienow's operations. It is anticipated that the favourable trend will continue in the 1978 fiscal year.

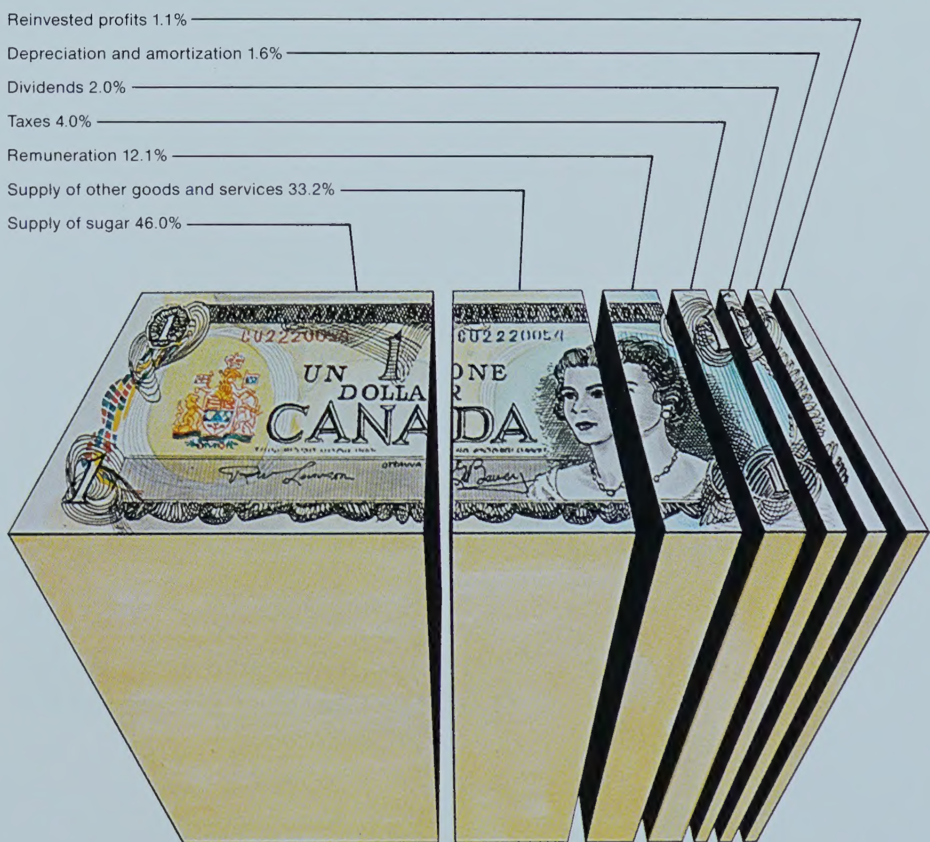
Packaging Division

During the year, your company completed the two acquisitions referred to in last year's report. As a result the Packaging Division now has enlarged capability in the rigid and flexible packaging market in Ontario. Purchase and installation of new equipment and machinery and co-ordination of management and sales activities will be carried out in 1978. The increased sales volume during the year reflects the additional two facilities acquired.

Other Investments

The establishment in 1976 of a re-insurance underwriting business in Bermuda is proving to be a sound investment. This business is still in the development stage; but, with the acquisition of experienced staff and a favourable reception in the re-insurance market, operating results may exceed initial expectations.

The drilling fund established by RIL late in 1975 for oil and gas exploration and development in Western Canada with a partner knowledgeable in that industry has proven to be a successful investment. The program was



DISTRIBUTION OF TOTAL REVENUES
Year ended September 30, 1977

undertaken primarily to provide a hedge against spiralling energy and petro-chemical costs which reflect in the costs of plastic resins, a major component in products of RIL's construction materials and packaging divisions.

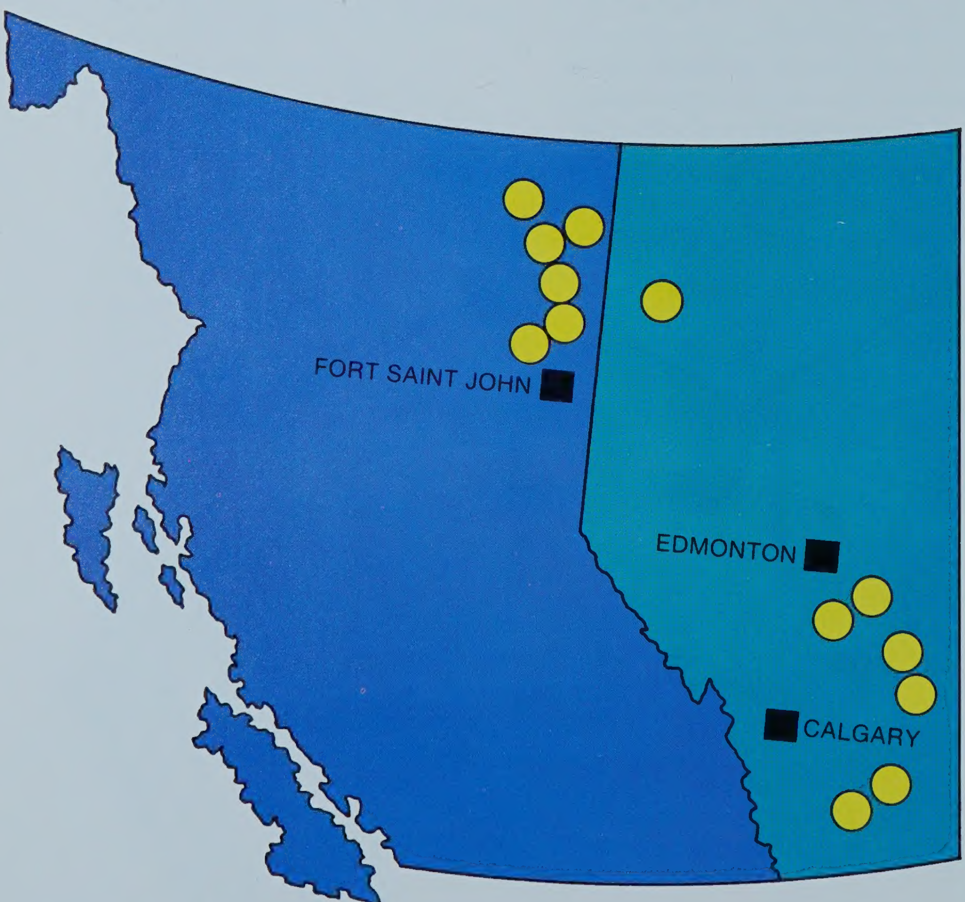
The accompanying map of Alberta and northeastern British Columbia shows the location of wells in which interests have been acquired to date. These interests represent 53 gross wells with participations ranging from 1.12% to 27.2%, resulting in approximately 5.3 net wells. Full assessment of reserves has not been established since some wells have only recently been completed. The company's current delivery capacity is in excess of 244,512 MCF of gas and 135,000 barrels of oil per year.

A success ratio of over 70% of the wells drilled has been achieved.

The company plans to continue over the next several years, its modest investment program in the oil and gas industry in western Canada and possibly other areas where conditions appear favourable.

Housing Development

The final phase of Crystal Estates real estate development project in Chatham, Ontario, is now underway, the plan covering the final phase having been approved and registered. Sales of serviced lots for single family dwellings are expected to be completed by spring 1978. An apartment and quality town house complex will complete the project.



Appointments

During the year, Michael D. Patrick, C.A. was appointed to the office of Comptroller of the company.

Pensions

The company is mindful of the contributions made over the years by retired employees and is pleased to have been able to provide on an ex-gratia basis supplemental pension payments to alleviate in part the hardships caused by inflation to those on fixed incomes.

Appreciation

We acknowledge with appreciation the talents and efforts generously contributed by all employees of the Redpath group who were so important in achieving the satisfactory results of the past year.

On behalf of the board

N. M. Shaw, *President and Chief Executive Officer*
November 30, 1977.

THE LAST TEN YEARS IN REVIEW
(thousands of dollars)

	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
Revenue (*excluding equity in earnings of affiliate*)	**271,319**	200,393	270,934	223,925	128,217	103,291	85,135	74,994	64,578	54,819
Income taxes	**6,567**	5,145	3,985	4,216	3,141	3,300	3,725	3,250	3,600	3,650
Net income (*excluding extraordinary items*)	**8,571**	7,531	7,343	5,712	5,244	4,300	4,392	3,836	4,243	5,380
Dividends	**3,079**	2,858	2,835	2,819	2,790	2,790	2,790	2,635	2,635	2,170
Working capital	**43,963**	29,067	13,106	10,132	10,879	10,944	12,574	13,669	15,356	16,273
Short-term investments	**23,446**	21,181	16,440	1,000	—	—	—	278	3,667	4,858
Short-term notes	**20,358**	20,558	32,019	12,117	16,035	10,211	3,830	2,474	910	743
Long-term debt	**29,734**	1,686	2,172	2,257	2,926	3,337	3,730	4,061	5,520	5,645
Shareholders' equity	**70,170**	64,625	59,916	55,014	52,121	49,276	47,766	46,113	44,586	42,978
Capital expenditures	**9,180**	5,555	3,623	5,230	4,634	4,927	2,020	1,803	1,926	617
Depreciation & amortization	**4,559**	3,659	3,078	2,980	2,660	2,439	2,101	1,754	1,611	1,726
Net income as % of Revenues	**3.16**	3.76	2.71	2.55	4.09	4.16	5.16	5.12	6.57	9.81
Net income as % of shareholders' equity	**12.21**	11.65	12.25	10.38	10.06	8.73	9.19	8.32	9.52	12.52
Earnings per share	**2.69**	2.37	2.33	1.82	1.69	1.39	1.41	1.23	1.37	1.73
Dividends per share	**.972**	.90	.90	.90	.90	.90	.90	.85	.85	.70
Cash flow per share	**4.44**	4.47	3.29	3.13	2.46	2.27	1.99	1.66	1.43	2.37
Book value per share	**22.06**	20.34	18.88	17.56	16.81	15.89	15.41	14.87	14.38	13.86
Number of employees	**2,045**	1,840	1,690	1,595	1,657	1,582	1,487	1,268	1,182	1,170
Number of shareholders	**2,820**	2,793	2,851	2,909	2,904	2,799	2,958	3,133	3,250	3,327

Consolidated Balance Sheet
Redpath Industries Limited and its subsidiaries
September 30, 1977

Assets	**Notes**	**1977**	**1976**
Current:			
Cash		**$ 1,612,000**	$ 2,004,000
Accounts receivable		**27,658,000**	21,687,000
Inventories	2	**50,207,000**	31,233,000
Short-term investments		**23,446,000**	21,181,000
Income taxes recoverable		**530,000**	—
Deferred income taxes on inventories		—	1,096,000
Prepaid expenses		**1,064,000**	765,000
Total current assets		**104,517,000**	77,966,000
Investments	4	**13,788,000**	6,110,000
Property, plant and equipment	5	**48,778,000**	38,621,000
Other assets:			
Goodwill, at cost less amortization		**1,826,000**	548,000
Long-term debt expense, at cost less amortization		**851,000**	—
		2,677,000	548,000
		$169,760,000	$123,245,000

On behalf of the Board:

C. F. Harrington *Director*

N. M. Shaw *Director*

Liabilities	Notes	1977	1976
Current:			
Short-term notes		**$ 20,358,000**	$ 20,558,000
Accounts payable		**23,289,000**	12,137,000
Income taxes payable		**—**	3,043,000
Deferred income taxes on inventories		**421,000**	—
Construction advances	3	**16,486,000**	13,161,000
Total current liabilities		**60,554,000**	48,899,000
Long-term debt	6	**29,734,000**	1,686,000
Deferred income taxes		**9,302,000**	8,035,000
Shareholders' Equity			
Capital stock	7	**15,674,000**	15,621,000
Appraisal increment	1	**6,232,000**	6,232,000
Contributed surplus		**1,000,000**	1,000,000
Retained earnings	10	**47,264,000**	41,772,000
		70,170,000	64,625,000
		$169,760,000	$123,245,000

Consolidated Statements of Income and Retained Earnings

Redpath Industries Limited and its subsidiaries — *Year ended September 30, 1977*

Income	**Notes**	**1977**	**1976**
Revenues	9	**$271,319,000**	$200,858,000
Expenses:			
Cost of sales and other operating costs		**222,251,000**	162,350,000
Selling, distribution and administrative		**25,766,000**	19,829,000
Depreciation		**4,357,000**	3,644,000
Amortization		**202,000**	15,000
Interest—long-term debt		**327,000**	117,000
—other		**3,278,000**	2,227,000
		256,181,000	188,182,000
		15,138,000	12,676,000
Income taxes	1	**6,567,000**	5,145,000
Net income		**$ 8,571,000**	$ 7,531,000
Earnings per share (after giving effect to the subdivision described in note 7)		**$2.69**	$2.37

Retained Earnings

Balance beginning of year	**$ 41,772,000**	$ 37,099,000
Net income	**8,571,000**	7,531,000
	50,343,000	44,630,000
Dividends paid	**3,079,000**	2,858,000
Balance end of year	**$ 47,264,000**	$ 41,772,000

Consolidated Statement of Changes in Financial Position
Redpath Industries Limited and its subsidiaries

Year ended September 30, 1977

Source of working capital	**1977**	**1976**
Operations—		
Net income	**$ 8,571,000**	$ 7,531,000
Less: Equity in earnings of affiliated company	—	465,000
	8,571,000	7,066,000
Depreciation and amortization	**4,559,000**	3,659,000
Deferred tax credits	**1,009,000**	281,000
Dividends from affiliated company	—	2,725,000
Working capital provided by operations	**14,139,000**	13,731,000
Proceeds from:		
Issue of shares	**53,000**	36,000
Disposal of property, plant and equipment	**518,000**	213,000
Issue of long-term debt	**26,363,000**	—
Disposal of investment in affiliate	—	15,175,000
Disposal of other investments	**504,000**	452,000
Total working capital provided	**41,577,000**	29,607,000
Use of working capital		
Acquisitions, net of working capital of $604,000		
Property, plant and equipment	**5,852,000**	—
Goodwill on acquisitions	**902,000**	—
Less: Long-term debt and deferred income taxes	**(3,268,000)**	—
	3,486,000	
Acquisition of investments	**8,182,000**	4,747,000
Additions to property, plant and equipment	**9,180,000**	5,555,000
Payment of dividends	**3,079,000**	2,858,000
Retirement of long-term debt	**2,176,000**	486,000
Purchase of goodwill	**578,000**	—
Total working capital used	**26,681,000**	13,646,000

Working capital		
Increase during year	**14,896,000**	15,961,000
Balance beginning of year	**29,067,000**	13,106,000
Balance end of year	**$ 43,963,000**	$ 29,067,000

1. Significant accounting policies

The following is a summary of significant accounting policies used in the preparation of these financial statements.

a) Principles of consolidation

These financial statements include the accounts of Redpath Industries Limited, all of its subsidiaries and the proportionate share of the assets, liabilities, revenues and expenses of its joint ventures.

Goodwill resulting from the acquisition of businesses is amortized on a straight-line basis at 2.5% per year.

b) Inventories

A basic quantity of raw sugar equivalent is carried at a fixed value determined under the base stock method. All other inventories are valued at the lower of cost and net realizable value.

c) Construction contracts

Earnings from construction contracts are accounted for using the percentage-of-completion method whereby income is accrued in relation to the progress made.

d) Oil and gas properties

The company follows the full cost method of accounting for its investments in oil and gas properties, whereby all costs related to the exploration for and the development of reserves are capitalized. These costs are depleted using the composite unit-of-production method based upon estimated proven reserves of oil and natural gas.

e) Property, plant and equipment

Property, plant and equipment is stated at appraised replacement cost at October 1, 1961, with subsequent additions recorded at cost. Depreciation is provided on plant and equipment on a straight-line basis over the estimated useful lives of the assets at rates varying from 2½% to 30%.

f) Long-term debt expense

Issuance expenses and discount on long-term debt are amortized over the life of the related debt.

g) Income taxes

In accounting for income taxes the company follows the tax allocation method.

i) Deferred income taxes on inventories

The company's basis of valuation for sugar inventories is not accepted for income tax purposes. Taxes on the difference between this basis of valuation and that used in the calculation of current taxes payable are deferred.

ii) Deferred income taxes

Deferred taxes are provided on timing differences which result primarily from claiming capital cost allowance in excess of depreciation provided.

The company follows the flow-through method of accounting for investment tax credits and inventory allowances whereby the provision for income taxes is reduced for such credits.

h) Translation of foreign currencies

Foreign currency assets and liabilities carried at current prices are translated using the rate of exchange in effect at the year-end and carried at past prices using the rates of exchange in effect at the dates of acquisition.

Translation gains and losses are included in net income for the year.

2. Inventories

Raw materials, work in process and finished goods—	1977	1976
Sugar	**$32,606,000**	$15,707,000
Construction materials	**12,205,000**	11,672,000
Other products	**1,341,000**	507,000
	46,152,000	27,886,000
Manufacturing and maintenance supplies	**4,055,000**	3,347,000
	$50,207,000	$31,233,000

The base stock of sugar inventories which consists of 65,000 tons is valued at an average price of $228 per ton, which value exceeded market value at September 30, 1977 by approximately $1.7 million. Quantities in excess of this amount are hedged on commodities markets and are not at significant market risk.

3. Construction advances

	1977	1976
Unearned advances received	**$28,614,000**	$31,085,000
Less: Costs deferred	**12,128,000**	17,924,000
Net advances	**$16,486,000**	$13,161,000

Advances received and still on hand are included in cash and short-term investments, which are valued at the lower of cost and market.

Firm commitments for equipment and services amount to approximately $25 million at September 30, 1977.

4. Investments

	1977	1976
Portfolio, at cost (market value—$11,692,000)	**$11,363,000**	$4,179,000
Oil and gas properties	**1,444,000**	446,000
Other, at the lower of cost and estimated realizable value	**981,000**	1,485,000
	$13,788,000	$6,110,000

5. Property, plant and equipment

	Investment	Accumulated depreciation	1977 Net investment	1976 Net investment
Property	$ 4,325,000	$ —	**$ 4,325,000**	$ 3,497,000
Plant	27,689,000	10,370,000	**17,319,000**	14,859,000
Equipment	56,278,000	29,144,000	**27,134,000**	20,265,000
	$88,292,000	$39,514,000	**$48,778,000**	$38,621,000

6. Long-term debt

	1977	1976
9% Debentures due September 15, 1989 (U.S. $25,000,000)	**$26,864,000**	$ —
5% Sinking Fund Debentures due July 15, 1978	**1,022,000**	1,105,000
Promissory note, bearing effective interest at the U.S. prime rate plus ½%, payable in annual instalments of $268,000 ($806,000 in 1981) and due September 30, 1981 (U.S. $1,500,000)	**1,610,000**	—
Non-interest bearing balance of payment, payable in annual instalments of $200,000 ($250,000 in 1980) and due September 27, 1980	**650,000**	—
Promissory note, bearing interest at the Canadian prime rate, payable in annual instalments of $100,000 ($150,000 in 1979) and due October 31, 1979	**350,000**	—
7½% note payable in monthly instalments including principal and interest and due October 4, 1984 (U.S. $469,000)	**503,000**	517,000
Other	**520,000**	133,000
	31,519,000	1,755,000
Less current portion in accounts payable	**1,785,000**	69,000
	$29,734,000	$1,686,000

Long-term debt is repayable as follows:
1979 - $770,000; 1980 - $869,000; 1981 - $1,008,000; 1982 - $70,000; 1983 - $70,000 and subsequently $26,947,000.

7. Capital stock

At a special general meeting held on February 1, 1977, the shareholders authorized a change in the capital structure of the company. This change was effected by supplementary letters patent issued March 4, 1977 subdividing the Class A and Class B common shares on a 2 for 1 basis. The following numbers of authorized and issued shares at September 30, 1977 and September 30, 1976 have been restated to give effect to the subdivision;

Authorized—6,000,000 Class A and Class B inter-convertible common shares of no par value
Issued—3,181,500 common shares (3,176,500 in 1976).

Under a stock option plan for officers and key employees, shares were reserved for issue at prices which cannot be less than 90% of the fair market value at date of grant.

During the year, no options were issued and options representing 5,000 shares were exercised.

	Outstanding at September 30, 1977	Option price	Expiry date
Options to key employees	2,500	$9.90	February 16, 1980

Earnings per share

Earnings per share have been calculated on the average number of shares outstanding during the year, after giving effect to the above subdivision.

There would be no material dilution of earnings per share if all stock options were exercised.

8. Contingencies

On December 19, 1975 the company, together with certain other Canadian sugar refiners, was found not guilty of charges under the Combines Investigation Act (Canada) of unlawfully conspiring, combining, agreeing and arranging together to enhance unreasonably the price of sugar at various times during the period from January 1, 1960 to May 31, 1973 and of unlawfully conspiring, combining, agreeing or arranging together and with certain sugar brokers to prevent or lessen unduly competition in the production, manufacture, purchase, barter, sale, transportation or supply of sugar. An appeal by the Crown from the acquittal was argued before the Quebec Court of Appeal in October, 1977 and judgement was reserved and is not expected to be rendered for some time.

On February 22, 1977 income tax assessments were issued by Revenue Canada, Taxation against the company for its five taxation years ended September 30, 1971 claiming $3,026,859 in taxes plus interest at 6% per annum on the taxes alleged to be due for such years and penalties of $756,714 on the grounds that the company should have considered as its own all the income of its non-resident affiliate, Albion Company Limited. In addition the company was shortly thereafter served with a summons to appear in criminal court on charges that the alleged failure to include the income of Albion Company Limited constituted an offence under paragraph 239(1)(d) of the Income Tax Act (Canada) dealing with willful evasion of taxes. A corporation guilty of such an offence is liable, in addition to any penalty otherwise provided, to a fine of not less than $25 and not exceeding $10,000 plus, in an appropriate case, an amount not exceeding double the amount of the tax that should have been shown to be payable or that was sought to be evaded. The company on advice of special counsel is contesting the assessments and charges which special counsel advises are ill-founded and accordingly no provision has been made in the company's accounts. The company retained its share interest in Albion Company Limited until September 29, 1976.

9. Additional information

a) Accounts receivable include $1,006,000 due from affiliated companies (1976—nil). Accounts payable do not include any amounts due to affiliated companies (1976—$232,000).

b) Short-term notes include $5.7 million of notes issued by the joint venture which are secured by its sugar inventories.

c) Revenues by class of business were as follows:

	1977		1976	
	Amount	**%**	Amount	%
Agro-industrial	**$215,984,000**	**79.6**	$153,386,000	76.4
Construction materials	**45,171,000**	**16.7**	44,425,000	22.1
Packaging materials	**9,030,000**	**3.3**	2,205,000	1.1
Other	**1,134,000**	**0.4**	842,000	0.4
	$271,319,000	**100.0**	$200,858,000	100.0

d) The aggregate remuneration of the company's thirteen directors and eight officers, in those capacities, was $35,000 and $390,000 respectively. Three officers served on the Board of Directors during the year.

e) Commitments for the acquisition of property, plant and equipment aggregate approximately $3 million.

e) Certain of the figures for 1976 have been regrouped to conform with the presentation adopted in the current year.

10. Anti-Inflation Program

Under the federal government's anti-inflation program the company is subject to mandatory compliance with legislation which controls prices, profit margins, employee compensation and shareholder dividends.

It is the company's policy to make appropriate provision for the effect, if any, of the program on the results of operations.

Auditors' Report

To the Shareholders of Redpath Industries Limited:

We have examined the consolidated balance sheet of Redpath Industries Limited and its subsidiaries as at September 30, 1977 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, subject to the resolution of the matters described in note 8, these consolidated financial statements present fairly the financial position of the company as at September 30, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Canada,
November 18, 1977.

Clarkson, Gordon & Co.
Chartered Accountants

Agro-Industrial Division

Redpath's $172-million "turn-key" sugar mill project in the Ivory Coast is on schedule.
1. Inspecting the site are (L to R) Neil Shaw, President, RIL; Saxon Tate, Director and Chairman of Tate & Lyle's Executive Committee and Director of RIL; Stephen Stachenko, Vice-President of RIL; J. Kigbafory-Silue, General Manager, Sodesucre; Abdoulaye Sawadogo, Minister of Agriculture, Ivory Coast.

2. An Ivorian native village contrasts sharply with the modern capital, Abidjan (3). Redpath has constructed storage facilities to handle molasses at the harbour of this bustling city.

4. Sugar cane planted at the project site, known as Ferke II, reaches maturity.

5. A pumping station, which will supply water to the cane fields, nears completion. The installation of irrigation canals and equipment is an important part of the project.

6. Frame for the power house that will supply electricity to the Ferke II village.

7. An aerial view of the project site.

8. An Ivorian child set against the beautiful West African sunset.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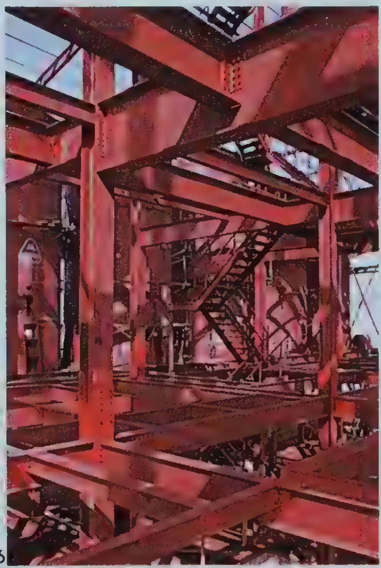
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1. A liquid sugar tanker at Redpath Sugars in Montreal fills up for delivery to a customer. About 20% of all sugar sold in Canada is in liquid form.

2. RSL Transport employee, Leonce Gionet, hoses down the truck loading area in Toronto.

3. A new liquid sweetener blending facility has been installed at Redpath Sugars in Toronto. Here, an ultra-modern in-line blender, in full operation in January, can mix any combination of sucrose, glucose, fructose, and invert sugars. It will enable Redpath to meet the most stringent requirements of food manufacturers quickly and efficiently.

4. & 5. In November, 1977 the largest ship ever to sail up the St. Lawrence Seaway delivered 35,000 metric tonnes of raw cane sugar to Redpath's two refineries. Measuring 729 feet long and 75 feet wide, the "Federal Schelde," owned by Federal Commerce, successfully completed her maiden voyage delivering Australian raw sugar.


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Last year Refined Syrups & Sugars Inc. of Yonkers, N.Y., announced plans to invest over $17 million to expand its capacity to produce and deliver granulated sugar products. The refinery is ideally located with a market of 30 million people within a radius of 200 miles. It has the capacity to receive and process over a half-million tonnes of raw sugar annually.

1. & 2. One hundred and eighty-five-foot-high silos near completion at RS&S in Yonkers. They will be used to store and condition refined sugar before shipment in bulk and bags.

3. Pallets of RS&S bagged granulated sugar are stored in the warehouse prior to shipping.

4. RS&S is situated on the Hudson River enabling ocean-going merchant ships to unload raw sugar at the refinery's dockside. The Yonkers refinery has a Conrail artery running alongside and also operates one of the largest truck fleets in the industry.


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Construction Materials Division

1. MSU-Daymond Canada Limited has the exclusive right to market in Canada industrial safety ladders and manhole safety steps of an exclusive design. The new products are manufactured by Daymond from aluminum.

2. Daymond's aluminum division in Chatham, Ontario, manufactures a wide variety of aluminum profiles for the construction, automotive, and appliance industries.

3. End-view of Daymond's pipe which is designed for use in private sewage disposing systems.

4. & 5. Certain-Teed/Daymond Co. in the United States and Daymond Limited in Canada manufacture polyethylene drainage pipe. Here it is used to help drain a golf course.

6. When the LK Ranch in Bassino, Alberta, installed artificial irrigation, drainage problems resulted.
A Daymond sub-surface drainage system was then put in (7) and the crop yield was considerably improved.


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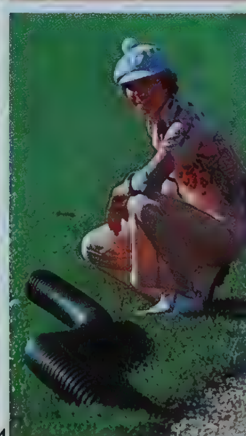
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8. Daymond Limited in Clarkson, Ontario, manufactures vinyl siding which is finding ready acceptance across Canada for use in remodelling and finishing homes. The siding never needs painting and will not dent, corrode or rust.

9. A selection of Multi Fittings' products. Based in London, Ontario, this subsidiary produces a variety of plastic fittings for use in plumbing, sewer and drainage systems, as well as irrigation.

10. & 11. Multi Fittings Limited in London, Ontario, manufactures a 10-inch PVC fitting which is shown being installed on a municipal sewer line in Ottawa. It is the only such "T" fitting manufactured in North America.

12. Michael Osterling, of Gienow Limited in Calgary, assembles a wooden bay window frame. In addition, the company manufactures a range of doors and windows from aluminum for the housing, construction, and mobile home industries.

13. An aerial view of Waco, Texas, where Multi Fittings operates a manufacturing plant. Last year its plant was doubled in size to accommodate an increased volume of business.


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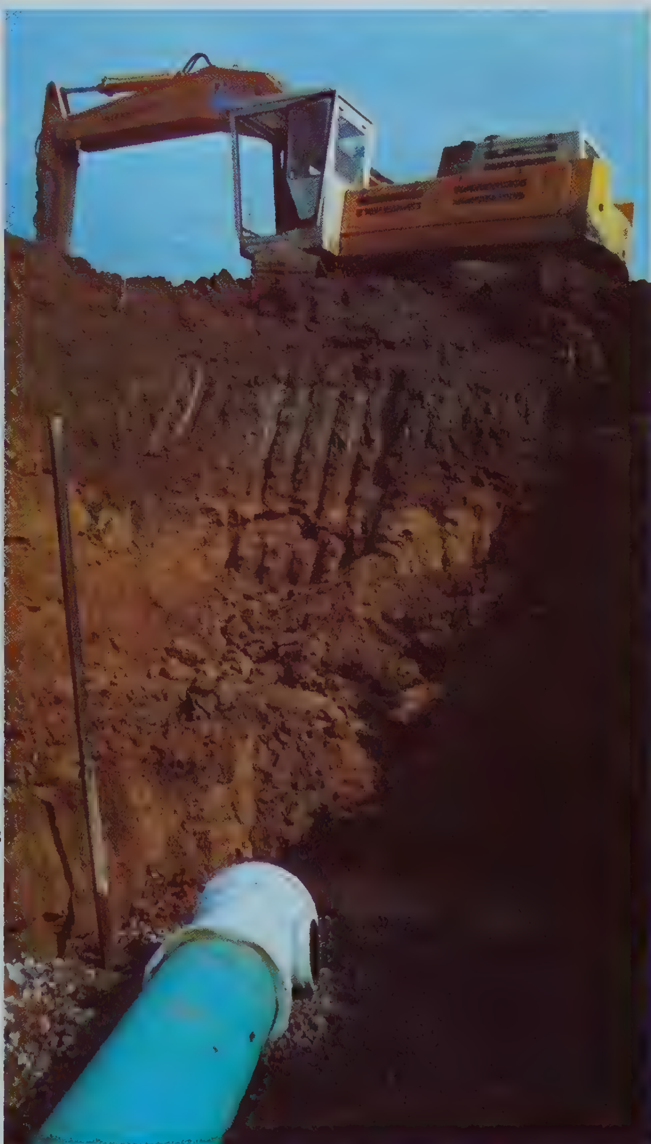
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Packaging Division

1. Yellow pigment is used for the colouring of polyethylene film at CB Packaging. This subsidiary company produces a variety of plastic wrappings for the food and manufacturing industries.

2. CB Packaging manufactures and prints Redpath Sugars' golden yellow sugar package.

3. Part of the printing press used to print the Redpath Sugars' polyethylene bag.

4. These colours are rolled onto printing plates to check and register the package design in CB Packaging's proofing department.

5. Cylinder gears in the setup department of Merry Packaging are used to determine the repeat length of each printing run. Acquired early in 1977, Merry is a converter of packaging materials.

6. Quality control supervisor, Anne Donahue, at CB Packaging.

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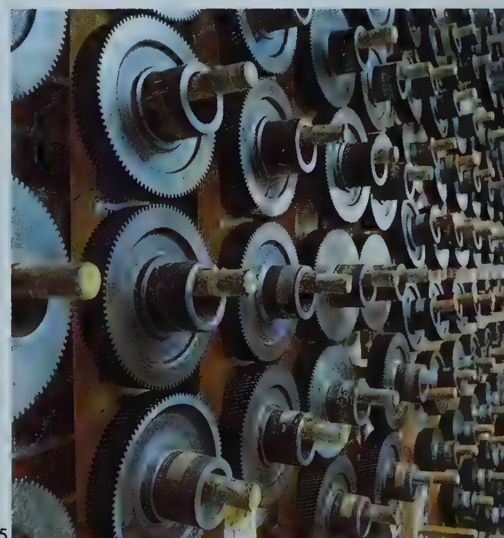

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7. The overwrap on the package held by production supervisor George Foster, of Merry Packaging, is printed on the press behind him.

8. & 9. This die is used to stamp out the shape to form the award-winning package on the right. Holway Packaging recently won five awards at the Canadian National Packaging Exposition.

10. A pallet-load of setup boxes formed by Holway Packaging. In addition, the company produces folding cartons and blister packages.

11. A view of Holway's "library" of dies used in the manufacturing of folding cartons. Each one is formed of plywood with a steel rule affixed which is used to cut and crease cardboard to stamp out the shape of the package.

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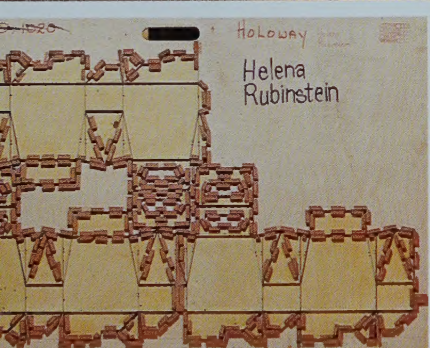

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Operating Subsidiaries, Affiliates and Associated Companies

CB Packaging Limited
Toronto, Ontario

Certain-Teed/Daymond Co.
Ann Arbor, Michigan

Comtrad Ltd.
Mississauga, Ontario

Daymond Limited
Mississauga, Ontario

Devonport Trading Ltd.
Hamilton, Bermuda

Gienow Limited
Calgary, Alberta

London Plastics Machinery Limited
London, Ontario

Merry Packaging Limited
Don Mills, Ontario

Multi Fittings Limited
London, Ontario

Multi Fittings (U.S.A.) Limited
Waco, Texas

Redpath Consultants International Limited
Toronto, Ontario

Redpath Sugars Limited
Montreal, Quebec

Refined Syrups & Sugars Inc.
Yonkers, New York

Seaway Insurance Ltd.
Hamilton, Bermuda

Spraycool Systems Limited
Rexdale, Ontario

Pour obtenir l'édition française du présent rapport, on est prié d'écrire au Secrétaire,
Les Industries Redpath Limitée,
Casier postal, 66,
The Royal Bank Plaza,
Toronto, Ontario M5J 2J2

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Conrad F. Harrington
Chairman

Neil M. Shaw
President and Chief Executive Officer

Robert G. Brownridge, C.A.
Vice-President and Treasurer

Stephen Stachenko
Vice-President, Agro-Industrial Division

Ronald F. Booth
Vice-President and General Counsel

John E. Wood
Secretary

Michael D. Patrick
Comptroller

Bruce C. McCallum
Assistant Secretary

Transfer Agent and Registrar

The Royal Trust Company
Montreal, Toronto, Calgary, Vancouver

Stock Listing

Toronto Stock Exchange
Montreal Stock Exchange

Ticker Symbol—RIN

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Directors

Hon. Louis P. Beaubien
Member, Senate of Canada
Montreal, Quebec

Robert G. Brownridge, C.A.
Vice-President and Treasurer, Redpath Industries Limited
Toronto, Ontario

James M. Ferguson
President, Refined Syrups & Sugars Inc.
Yonkers, New York

Conrad F. Harrington
Chairman of the Board and the Executive Committee, The Royal Trust Company
Montreal, Quebec

Roderick L. Henry
President, Wire Rope Industries Limited
Montreal, Quebec

Colin Lyle
Director, Tate & Lyle, Limited
Director, Tate & Lyle Refineries Limited
Chairman, Tate & Lyle Transport Limited
London, England

Charles S. MacNaughton
Honorary Co-Chairman, Burns Fry Ltd.
Toronto, Ontario

John H. Magee
Director, Redpath Industries Limited, Montreal, Quebec

Paul S. Newell
President, Dominion Envelope Company Limited, Toronto, Ontario

Neil M. Shaw
President and Chief Executive Officer, Redpath Industries Limited
Toronto, Ontario

David A. Tate
Director, Tate & Lyle, Limited
London, England

H. Saxon Tate
Director and Chairman of the Executive Committee
Tate & Lyle, Limited
London, England